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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Authorization: (1) to replace San Onofre Nuclear Generating Station Unit Nos. 2 & 3 (SONGS 2 & 3) steam generators; (2) establish ratemaking for cost recovery; and (3) address other related steam generator replacement issues.

Application 04-02-026
(Filed February 27, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING CONCERNING
REHEARING OF DECISION 05-12-040**

In Decision (D.) 06-06-040, the Commission granted limited rehearing of D.05-12-040 to:

1. take into consideration the correct net present value calculations for the Steam Generator Replacement Program (SGRP); and
2. calculate the greenhouse gas (GHG) adder using an accurate source of data.

Decision 05-12-040 included incorrect calculation results for the cost-effectiveness of the SGRP. The correct results were included in my proposed decision (PD) as modified to include the parties' comments.¹ These results are included in Attachment A to this ruling. As stated in D.05-12-040, the

¹ The numbers in the PD were mislabeled millions when, in fact, they were shown in thousands.

calculations were made using Southern California Edison Company's model and the model inputs specified therein.

The above referenced cost-effectiveness calculations include the amount of gas fired generation that would be required each year if the SGRP is not performed. The GHG adder for each year is the product of the amount of GHG produced by such generation and the GHG dollars per ton rate for that year. The GHG adder used to determine the cost-effectiveness of the SGRP is the present value of the GHG adders for each year of the forecast period, and is included at the end of Attachment A.

The dollars per ton rates used to calculate the GHG adder were taken from the report titled "Methodology and Forecast of Long Term Avoided Costs for The Evaluation of California Energy Efficiency Programs" prepared by the Energy and Environmental Economics (E3) consulting group on October 25, 2004 (E3 Report). The E3 Report was adopted in D.05-04-024, and I propose to take official notice of it in this proceeding. The E3 Report rates are included in Attachment B to this ruling.

I believe my provision of the above information will allow the Commission to conduct a limited rehearing as contemplated in D.06-06-040. I propose to conduct the limited rehearing through the filing of opening and reply comments addressing the information provided in Attachments A and B. If any party believes that an evidentiary hearing is required or necessary to consider Attachments A and B, it must: (1) request an evidentiary hearing in its opening comments; (2) identify the material disputed issues of fact that require an evidentiary hearing; (3) identify the nature of the testimony it would introduce at an evidentiary hearing; and (4) explain why an evidentiary hearing is required, with citation to any relevant legal authority. Parties should further be informed

that any possible right to an evidentiary hearing would be waived if not properly requested in comments, including the above-required information.

Therefore, **IT IS RULED** that:

1. No later than July 31, 2006, parties shall file and serve their opening comments on how the Commission should take into consideration the correct net present value calculations for Southern California Edison Company's Steam Generator Replacement Program (SGRP) and calculate the greenhouse gas (GHG) adder using an accurate source of data.
2. Reply comments shall be filed and served no later than August 14, 2006.
3. To the extent a party disagrees with the GHG adder calculation, it shall include in its comments a detailed explanation of how the calculation should be performed, including sources for input data, and why its proposal is reasonable.
4. Any party requesting evidentiary hearings shall, in its opening comments, provide a detailed explanation of why an evidentiary hearing is necessary specifying the disputed material issues of fact that require hearing, the nature of the evidence it will present at a hearing, and an explanation of why a further hearing is necessary to address this evidence, including citation to legal authority demonstrating that hearings are required.

Dated June 22, 2006, at San Francisco, California.

/s/ JEFFREY P. O'DONNELL

Jeffrey P. O'Donnell
Administrative Law Judge

ATTACHMENT A

Table of Results

<u>Scenario</u>	<u>Assumptions</u>	<u>Capacity factor¹</u>	<u>SCE Ownership Share</u>		
			<u>98.21%</u> (\$millions)	<u>90.10%</u> (\$millions)	<u>82.00%</u> (\$millions)
1	Base	92%	(74.1)	(144.8)	(277.0)
		88%	(249.6)	(304.2)	(420.3)
		84%	(425.1)	(463.6)	(563.6)
2	Base +10% higher SGRP cost	92%	(145.9)	(216.6)	(277.0)
		88%	(321.4)	(376.0)	(420.3)
		84%	(496.9)	(535.4)	(563.6)
3	Base +16% higher gas cost	92%	319.3	230.3	141.6
		88%	166.6	77.6	(11.2)
		84%	13.8	(75.2)	(163.9)
4	Base +10% higher O&M	92%	(289.7)	(343.1)	(394.9)
		88%	(465.2)	(502.5)	(538.2)
		84%	(640.7)	(661.9)	(681.5)
5	Base +10% higher Capital Additions	92%	(117.4)	(186.0)	(254.4)
		88%	(292.9)	(345.4)	(397.7)
		84%	(468.4)	(504.8)	(541.0)
6	Base +one year outage	92%	(180.1)	(334.7)	(489.1)
		88%	(355.6)	(494.1)	(632.4)
		84%	(531.1)	(653.5)	(775.7)
7	Base +split shutdown	92%	308.7	157.3	(16.0)
		88%	155.9	24.3	(129.2)

¹ Reducing the capacity factor reduces the replacement energy costs because SONGS is generating less energy that needs to be replaced.

		84%	3.2	(108.7)	(272.5)
8	Base (using SCE	92%	231.1	(48.1)	(388.7)
	O&M and	88%	78.4	(200.9)	(541.4)
	capital additions)	84%	(74.4)	(353.6)	(694.2)

The GHG adder for Scenarios 1 through 5, at an 88% capacity factor, is \$307.9 million for a 98.21% ownership share and \$257.1 million for an 82.00% ownership share.

(END OF ATTACHMENT A)

ATTACHMENT B

Greenhouse Gas Adder

<u>Year</u>	<u>CO2 \$/ton</u>
2009	10.210
2010	10.721
2011	11.257
2012	11.820
2013	12.411
2014	13.031
2015	13.683
2016	14.367
2017	15.085
2018	15.839
2019	16.631
2020	17.463
2021	18.336
2022	19.253

(END OF ATTACHMENT B)

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a copy of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the copy of the filed document is current as of today's date.

Dated June 22, 2006, at San Francisco, California.

/s/ ELVIRA NIZ

Elvira Niz

SERVICE LIST IN A.04-02-026

***** APPEARANCES *****

Marc D. Joseph
Attorney At Law
ADAMS, BROADWELL, JOSEPH & CARDOZO
601 GATEWAY BLVD., STE. 1000
SOUTH SAN FRANCISCO CA 94080
(650) 589-1660
mdjoseph@adamsbroadwell.com
For: Coalition of California Utility Employees

James Weil
Director
AGLET CONSUMER ALLIANCE
PO BOX 37
COOL CA 95614
(530) 885-5252
jweil@aglet.org
For: Aglet Consumer Alliance

Karen Terranova
ALCANTAR & KAHL, LLP
120 MONTGOMERY STREET, STE 2200
SAN FRANCISCO CA 94104
(415) 421-4143
filings@a-klaw.com
For: THUMS Long Beach Company

Michael Alcantar
Attorney At Law
ALCANTAR & KAHL, LLP
1300 SW FIFTH AVENUE, SUITE 1750
PORTLAND OR 97201
(503) 402-9900
mpa@a-klaw.com
For: Cogeneration Association of California

Nora Sheriff
Attorney At Law
ALCANTAR & KAHL, LLP
120 MONTGOMERY STREET, SUITE 2200
SAN FRANCISCO CA 94104
(415) 421-4143
nes@a-klaw.com
For: Energy Producers & Users Coalition

Paul Angelopulo
Legal Division
RM. 5031
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-4742
pfa@cpuc.ca.gov
For: Office of Ratepayer Advocates

Don May
CALIFORNIA EARTH CORPS
4927 MINTURN AVENUE
LAKEWOOD CA 90712
(562) 630-1491
earthcorps@earthlink.net

Ronald Liebert
Attorney At Law
CALIFORNIA FARM BUREAU FEDERATION
2300 RIVER PLAZA DRIVE
SACRAMENTO CA 95833
(916) 561-5657
rliebert@cbbf.com
For: California Farm Bureau Federation

Alison Kott
Deputy City Attorney
CITY OF ANAHEIM
200 S. ANAHEIM BLVD., SUITE 356
ANAHEIM CA 92805
(714) 765-5169
akott@anaheim.net
For: City of Anaheim

Eileen M. Teichert
Deputy City Attorney
CITY OF RIVERSIDE
3900 MAIN STREET
RIVERSIDE CA 92522
(951) 826-5567
eteichert@riversideca.gov
For: City of Riverside

Daniel W. Douglass
Attorney At Law
DOUGLASS & LIDDELL
21700 OXNARD STREET, SUITE 1030
WOODLAND HILLS CA 91367
(818) 961-3001
douglass@energyattorney.com
For: Western Power Trading Forum

Andrew B. Brown
Attorney At Law
ELLISON, SCHNEIDER & HARRIS, LLP
2015 H STREET
SACRAMENTO CA 95814
(916) 447-2166
abb@eslawfirm.com
For: Independent Energy Producers Association (IEP)

SERVICE LIST IN A.04-02-026

Brian T. Cragg
Attorney At Law
GOODIN MACBRIDE SQUERI RITCHIE & DAY LLP
505 SANSOME STREET, SUITE 900
SAN FRANCISCO CA 94111
(415) 392-7900
bcragg@gmssr.com
For: City of Anaheim

Norman A. Pedersen
Attorney At Law
HANNA AND MORTON LLP
444 SOUTH FLOWER STREET, SUITE 1500
LOS ANGELES CA 90071-2916
(213) 430-2510
npedersen@hanmor.com
For: City of Riverside

Sabrina Venskus
Attorney At Law
LAW OFFICE OF SABRINA VENSKUS
171 PIER AVENUE, NUMBER 204
SANTA MONICA CA 90405
(310) 581-1180
venskus@lawsv.com
For: California Earth Corps

Mark R. Loy
Division of Ratepayer Advocates
RM. 4205
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-2268
mrl@cpuc.ca.gov
For: Office of Ratepayer Advocates

John W. Spiegel
Attorney At Law
MUNGER TOLLES & OLSON
355 SOUTH GRAND AVENUE, STE 3500
LOS ANGELES CA 90071
(213) 683-9100
spiegeljw@mto.com
For: Southern California Edison Company

Charles D. Siegal
Attorney At Law
MUNGER, TOLLES & OLSON
355 SOUTH GRAND AVENUE
LOS ANGELES CA 90071-1560
(213) 683-9181
siegalcd@mto.com

Martin D. Bern
Attorney At Law
MUNGER, TOLLES & OLSON LLP
560 MISSION ST., 27/F
SAN FRANCISCO CA 94105
(415) 512-4021
bernmd@mto.com
For: Southern California Edison Company

Jennifer K. Post
Attorney At Law
PACIFIC GAS AND ELECTRIC COMPANY
PO BOX 7442
SAN FRANCISCO CA 94105
(415) 973-9809
jlkpm@pge.com
For: Pacific Gas and Electric Company

James Ross
RCS, INC.
500 CHESTERFIELD CENTER, SUITE 320
CHESTERFIELD MO 63017
(636) 530-9544
jimross@r-c-s-inc.com
For: Chevron Texaco McKittrick Cogeneration Company

Wendy Keilani
SAN DIEGO GAS & ELECTRIC
8330 CENTURY PARK COURT, CP32D
SAN DIEGO CA 92123
(858) 654-1185
wkeilani@semprautilities.com

James F. Walsh
Attorney At Law
SAN DIEGO GAS & ELECTRIC COMPANY
101 ASH STREET, HQ12C
SAN DIEGO CA 92101-3017
(619) 696-5022
jwalsh@sempra.com
For: San Diego Gas & Electric Company

Amy Peters
Regulatory Case Administrator
SEMPRA ENERGY UTILITIES
8330 CENTURY PARK COURT -CP32D
SAN DIEGO CA 92123-1530
(858) 654-1796
apeters@semprautilities.com
For: San Diego Gas & Electric

SERVICE LIST IN A.04-02-026

For: Southern California Edison

Carol A. Schmid-Frazee
WILLIAM MESSNER
Attorney At Law
SOUTHERN CALIFORNIA EDISON COMPANY
PO BOX 800
ROSEMEAD CA 91770
(626) 302-1337
carol.schmidfrazee@sce.com
For: Southern California Edison Company

Case Administration
Law Department
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVENUE, ROOM 370
ROSEMEAD CA 91770
(626) 302-4875
case.admin@sce.com

Matthew Freedman
Attorney At Law
THE UTILITY REFORM NETWORK
711 VAN NESS AVENUE, SUITE 350
SAN FRANCISCO CA 94102
(415) 929-8876
freedman@turn.org
For: The Utility Reform Network (TURN)

***** STATE EMPLOYEE *****

Truman L. Burns
Division of Ratepayer Advocates
RM. 4102
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-2932
txb@cpuc.ca.gov
For: Office of Ratepayer Advocates

Constance Leni
CALIFORNIA ENERGY COMMISSION
MS-20
1516 NINTH STREET
SACRAMENTO CA 95814
(916) 654-4762
cleni@energy.state.ca.us

Helen Sabet
Energy Specialist
CALIFORNIA ENERGY COMMISSION
1516 9TH STREET

Lisa Decarlo
Staff Counsel
CALIFORNIA ENERGY COMMISSION
1516 9TH STREET MS-14
SACRAMENTO CA 95814
(916) 654-5195
ldecarlo@energy.state.ca.us
For: CALIFORNIA ENERGY COMMISSION

Donna J. Hines
Division of Ratepayer Advocates
RM. 4102
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-2520
djh@cpuc.ca.gov

Donald J. Lafrenz
Energy Division
AREA 4-A
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1063
dlf@cpuc.ca.gov
For: CPUC Energy Division

Pamela Nataloni
Legal Division
RM. 5124
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-4132
jpn@cpuc.ca.gov
For: CPUC

Jeffrey P. O'Donnell
Administrative Law Judge Division
RM. 5111
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-3134
jpo@cpuc.ca.gov

Anne W. Premo
Energy Division
770 L STREET, SUITE 1050
Sacramento CA 95814
(916) 324-8683
awp@cpuc.ca.gov
For: CPUC Energy Division

SERVICE LIST IN A.04-02-026

SACRAMENTO CA 95814-5512
(916) 651-9943
hsabet@energy.state.ca.us

******* INFORMATION ONLY *******

David Marcus
ADAMS BROADWELL & JOSEPH
PO BOX 1287
BERKELEY CA 94701-1287
(510) 528-0728
dmarcus2@sbcglobal.net
For: Coalition of California Utility Employees

Greg Chang
BLOOMBERG NEWS
345 CALIFORNIA ST., STE 3500
SAN FRANCISCO CA 94104
(415) 743-3526
gchang1@bloomberg.net
For: BLOOMING NEWS

Scott Blaising
Attorney At Law
BRAUN & BLAISING, P.C.
915 L STREET, STE. 1420
SACRAMENTO CA 95814
(916) 682-9702
blaising@braunlegal.com

J.A. Savage
CALIFORNIA ENERGY CIRCUIT
3006 SHEFFIELD AVE.
OAKLAND CA 94602
(510) 534-9109
editorial@californiaenergycircuit.net

CALIFORNIA ENERGY MARKETS
517-B POTRERO AVE
SAN FRANCISCO CA 94110
(415) 552-1764 16
cem@newsdata.com
For: CALIFORNIA ENERGY MARKETS

CALIFORNIA ENERGY MARKETS
517-B POTRERO AVE.
SAN FRANCISCO CA 94110-1431
(415) 552-1764
cem@newsdata.com

Donna Stevener

Gary Nolff
CITY OF RIVERSIDE
3900 MAIN STREET
RIVERSIDE CA 92522
(909) 826-5485

Robert Delgado
CITY OF RIVERSIDE
3900 MAIN STREET
RIVERSIDE CA 92522
(909) 826-5484
rdelgado@riversideca.gov

Bob Clarke
President
CYPRESS POINT HOME OWNERS ASSOCIATION
21 VIA CALANDRIA
SAN CLEMENTE CA 92672
(949) 361-2051
BOBCLARKE1@COX.NET

Lyn Harris Hicks
G U A R D
3908 CALLE ARIANA
SAN CLEMENTE CA 92672
(949) 492-5078
creedmail@cox.net

Curtis Kebler
GOLDMAN, SACHS & CO.
2121 AVENUE OF THE STARS
LOS ANGELES CA 90067
(310) 407-5619
curtis.kebler@gs.com

T. Alana Steele
Attorney At Law
HANNA AND MORTON, LLP
444 S. FLOWER STREET, STE.1500
LOS ANGELES CA 90071
(213) 430-2502
asteel@hanmor.com

Steven Kelly
INDEPENDENT ENERGY PRODUCERS ASSN
1215 K STREET, SUITE 900
SACRAMENTO CA 95814
(916) 448-9499
steven@iepa.com

SERVICE LIST IN A.04-02-026

CITY OF RIVERSIDE
3900 MAIN STREET
RIVERSIDE CA 92522
(909) 826-5485
dstevener@riversideca.gov

For: Independent Energy Producers Association (IEP)

Jeff Willis
JW PACIFIC
27281 LAS RAMBLAS, SUITE 200
MISSION VIEJO CA 92691

Central Files
SAN DIEGO GAS & ELECTRIC
CP32B
8330 CENTURY PARK COURT
SAN DIEGO CA 92123-1530
(858) 654-1766
centralfiles@semprautilities.com
For: SAN DIEGO GAS & ELECTRIC

MRW & ASSOCIATES, INC.
1999 HARRISON STREET, SUITE 1440
OAKLAND CA 94612-3517
(510) 834-1999
mrw@mrwassoc.com

Rochelle Becker
SAN LUIS OBISPO MOTHERS FOR PEACE
PO BOX 164
PISMO BEACH CA 93448
(805) 773-3881
rochelle489@charter.net

Jennifer Svoboda
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE STREET, ROOM 959
SAN FRANCISCO CA 94105
(415) 973-5995
jakq@pge.com
For: Pacific Gas and Electric Company

Bruce Foster
Vice President
SOUTHERN CALIFORNIA EDISON COMPANY
601 VAN NESS AVENUE, STE. 2040
SAN FRANCISCO CA 94102
(415) 775-1856
bruce.foster@sce.com

Joseph O'Flanagan
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE STREET, ROOM 2477
SAN FRANCISCO CA 94105
(415) 973-3978
jfo2@pge.com
For: Pacific Gas and Electric Company

Douglas K Porter
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVENUE
ROSEMEAD CA 91770
douglas.porter@sce.com
For: SOUTHERN CALIFORNIA EDISON COMPANY

Karen Moglia
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE STREET, B9A
SAN FRANCISCO CA 94105
(415) 973-2623
klm3@pge.com

Fred Swegles
SUN POST NEWS
95 AVENIDA DEL MAR
SAN CLEMENTE CA 92672
(949) 492-5127
fswegles@ocregister.com
For: SUN POST NEWS

Law Department File Room
PACIFIC GAS AND ELECTRIC COMPANY
PO BOX 7442
SAN FRANCISCO CA 94120-7442
cpuccases@pge.com

Scott J. Anders
Research/ Administrative Center
UNIVERSITY OF SAN DIEGO - LAW
5998 ALCALA PARK
SAN DIEGO CA 92110
(619) 260-4589
scottanders@sandiego.edu

Sandy Lamboy
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE STREET, MC B9A
SAN FRANCISCO CA 94105
MSL7@pge.com

SERVICE LIST IN A.04-02-026

Lisa Weinzimer
California Energy Reporter
PLATTS
695 NINTH AVENUE, NO. 2
SAN FRANCISCO CA 94118
(415) 387-1025
lisa_weinzimer@platts.com

Kevin Woodruff
WOODRUFF EXPERT SERVICES
1100 K STREET, SUITE 204
SACRAMENTO CA 95814
(916) 442-4877
kdw@woodruff-expert-services.com